

STATE OF RHODE ISLAND  
DEPARTMENT OF ADMINISTRATION

OFFICE OF ACCOUNTS AND CONTROL

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DEFERRED COMPENSATION PLAN			

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A deferred compensation plan is provided in accordance with provisions of Section 36-13 of the general laws. The State of Rhode Island in accordance with the following laws, policies, and procedures administers the plan.

PARTICIPATION POLICIES

- A state employee who is employed in the classified service of the state and participates in the Employees' Retirement System (ERS) retirement plan is eligible to participate in the **STATE'S** deferred compensation plan.
- An employee who is employed in the non-classified and unclassified service at the Board of Governors' for Higher Education, URI, RIC, and CCRI and participates in the TIAA-CREF retirement plan is eligible to participate in the **BOARD OF GOVERNORS'** deferred compensation plan.
- Only one election to participate or to change his/her amount of payroll deduction per calendar year can be made by an employee for each plan within which he/she participates.
- A participant may revoke any agreement made to defer compensation at any time during the calendar year. The revocation must be made in writing by the employee and forwarded to his/her payroll office.
- Biweekly wages subject to FICA tax and subject to pension plan deductions are not reduced by participation in this plan, only income taxes are reduced.
- The employee is fully vested in the plan, but the employer owns the money until withdrawn. The money must remain in an "unfunded" plan.

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- Generally, the funds are invested in-group and variable annuity contracts and mutual funds. Employees direct their own investments within the parameters of the plan and the chosen provider.
- In-service withdrawals are not permitted before termination of employment, except for an unforeseeable emergency.
- Distributions can be paid in the form of an annuity, in installments, or in a lump sum payment.
- Distributions can be made upon the earliest of one of the following events: unforeseeable emergency, termination, or death.
- Employee must begin distributions by April 1<sup>st</sup> of the calendar year following the year in which he/she attains 70½ years of age.
- Distributions are taxable as ordinary income. Loans are **not** permitted from the **STATE'S** plan pursuant to rules established by the Employee Benefits Unit within the Office of Personnel Administration. Loans are permitted from the **BOG** plan pursuant to rules established by the Board of Governor for Higher Education.
- Funds in one 457 plan can be transferred to another 457 plan or roll over to another type of plan is permitted {401, IRA, or 403(b)}.

ANNUAL LIMITS

The standard annual contribution limit is the lesser of an applicable dollar amount for the year (outlined below) or the employee's salary.

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Employees who are age 50 and over are eligible to invest at a limit higher than the standard annual contribution limit. However, the contribution for each year is also limited to the lesser of the "Age 50" limit or the employee's salary.

**NOTE:** Employees cannot take advantage of both the "Age 50" limit and the standard "catch up" limit (discussed below) at the same time.

The maximum amount an employee may invest each year is the lesser of the following amounts:

**LIMITS**

<u>Year</u>	<u>Regular</u>	<u>Age 50</u>	
2002	\$11,000	\$12,000	or Annual Salary
2003	\$12,000	\$14,000	or Annual Salary
2004	\$13,000	\$16,000	or Annual Salary
2005	\$14,000	\$18,000	or Annual Salary
2006**	\$15,000	\$20,000	or Annual Salary
(** and thereafter)			

**ENROLLMENT**

An employee enrolls in the plan by calling the current plan provider. The provider then forwards enrollment information directly to the Payroll Audit Section, Office of Accounts and Control, Department of Administration for implementation of the payroll deduction.

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STANDARD CATCH-UP LIMIT

In accordance with IRS regulations, an employee can request a limited “catch-up” on deferring compensation for one or more of the employee’s last three taxable years before he/she attains “normal retirement age.”

For the purposes of the **STATE’S** deferred compensation plan, “normal retirement age” is defined as follows:

1. An employee with ten(10) or more years of service credited to the ERS and is age 60 or older, or
2. An employee with twenty-eight (28) or more years of service credited to the ERS.

An employee can request the limited catch-up provision for deferred compensation, if he/she meet the following conditions:

1. Be a member of the Employee’s Retirement System (ERS) at the time of the request.
2. Be eligible to retire from the Employee’s Retirement System (ERS) upon attaining “normal retirement age “ (defined above).
3. Make the request in one of the employee’s last three (3) taxable years ending before the employee reaches “normal retirement age.” (This means that the employee must have at least 7 years of service credited and be age 57 or older, or have at least 25 years of service credited at the time of the request.

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In general, employees may contribute up to twice the normal applicable contribution limit for the year or the normal contribution limit for the year, plus the unused amount from prior years, whichever is less.

The maximum annual "catch-up" limit is the lesser of the following:

**LIMITS**

<u>Year</u>	<u>Catch Up</u>	<u>Regular*</u>	<u>Age 50*</u>	
2002	\$22,000	\$11,000	\$12,000	* plus prior limits
2003	\$24,000	\$12,000	\$14,000	* plus prior limits
2004	\$26,000	\$13,000	\$16,000	* plus prior limits
2005	\$28,000	\$14,000	\$18,000	* plus prior limits
2006**	\$30,000	\$15,000	\$20,000	* plus prior limits

(\*\*and thereafter)

Please note: In the scheduled year of retirement, the employee's deferred compensation limit will revert back to the lesser of the following amounts:

**LIMITS**

<u>Year</u>	<u>Regular</u>	<u>Age 50</u>	
2002	\$11,000	\$12,000	or Annual Salary
2003	\$12,000	\$14,000	or Annual Salary
2004	\$13,000	\$16,000	or Annual Salary
2005	\$14,000	\$18,000	or Annual Salary
2006**	\$15,000	\$20,000	or Annual Salary

(\*\*and thereafter)

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An employee can request a limited “catch-up” provision for deferred compensation under the **STATE’S** plan by completing the Deferred Compensation Plan Catch-Up Agreement”. The form should be forwarded by the employee’s payroll office to the Employee Benefits Office within the Department of Administration. The Employee Benefits Office will forward a copy of the form to the Office of Accounts and Control for payroll deduction implementation.